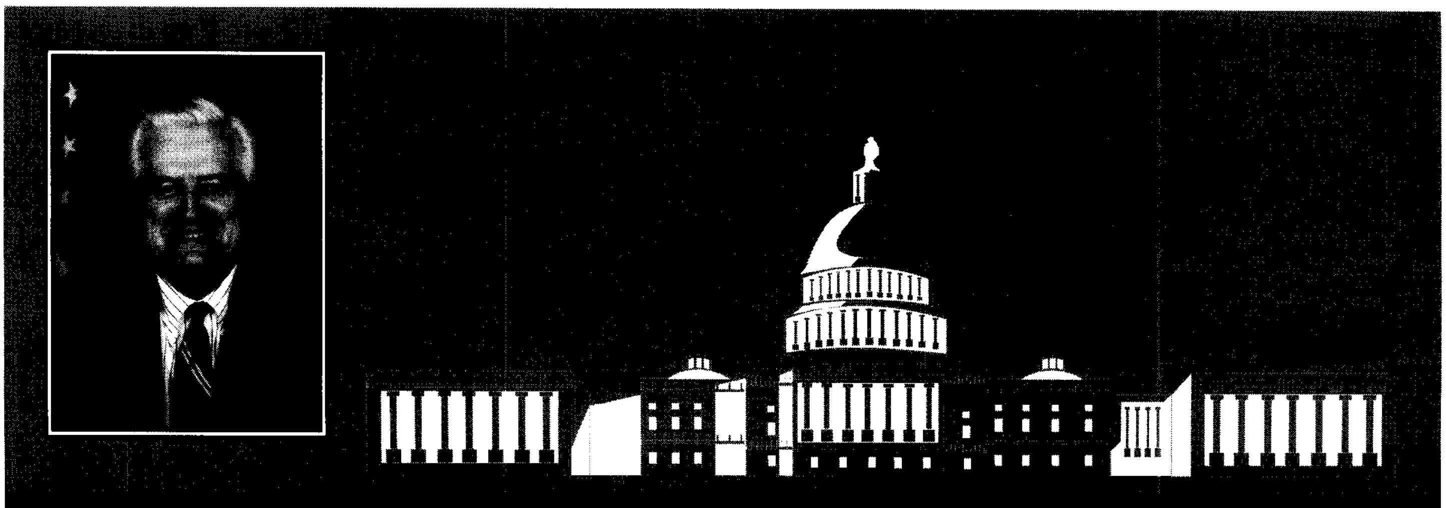


Reports to the Sixth District

Lifting Heavy Burden on Taxpayers

Dear Taxpayer:

If you feel **you are paying exorbitant taxes**, the Republican majority in Congress agrees with you. Americans are taxed to death and even after death.

The majority passed a tax plan last year that would have **set aside 75 percent of every dollar** of the $3.3 trillion surplus to strengthen Social Security, reform Medicare, pay down the public debt, rebuild our military, improve public education and pay for other vital programs, including repeal of the death tax and elimination of the marriage penalty.

The **remaining 25 percent would have been returned to all working Americans** as much-needed **tax relief** over the next 10 years. We feel that the budget surplus should be used to secure Social Security and Medicare, and pay down the national debt. Any amount above the amount set aside for these purposes should be returned to the taxpayers to prevent it from being squandered on new and enlarged programs.

The Majority led tax cut proposal (H.R. 2488) included tax cuts estimated to total **$792 billion over ten years.**

Our plan included capital gains relief (to encourage investments to create jobs) and several other much needed benefits for our seniors and school-aged children.

Unfortunately, last year **the President vetoed this legislation** and as predicted this year his budget includes higher spending. So this year, we have adopted another strategy to reach the same goals. We are going to resist the President's higher spending budget and we decided to break up last year's **vetoed tax relief** plan into separate stand-alone measures.

This year the President's budget proposes an estimated $350 billion in tax cuts over 10 years, **offset by $182 billion of increases in taxes and fees** for a net tax cut of $168 billion over 10 years. The tax code and regulations consist of about 5.6 million words. We need tax reform as well as tax cuts.

Sincerely,

Henry J. Hyde

Henry J. Hyde

How to contact Congressman Hyde . . .

Illinois	Washington, DC
50 East Oak Street	2110 Rayburn HOB
Addison, IL 60101	Washington, DC 20515
(630) 832-5950	(202) 225-4561

E-Mail Congressman Henry Hyde and express your views and concerns about legislation before Congress.

www.house.gov/hyde/contacting.htm

House and Senate Majority Tax Reduction Proposals

The Marriage Tax Penalty Act of 2000

Tax relief for married couples — provides $182.3 billion over 10 years to more than 50 million working Americans. Lower and middle income couples – those earning between $20,000 and $70,000 – will receive the greatest relief under this plan.

Prescription Drugs Insurance Deductions for Seniors

Allows seniors to deduct prescription drug insurance from their taxes. As part of Medicare reform, this is a market-based solution for seniors who can't afford prescription drug insurance.

Social Security Earnings Limit for Seniors (P.L. 106-182)

Ending the Social Security Earnings Limit will bring real relief for America's seniors. This act will enable seniors to work without being penalized with Social Security earnings offsets. This law affects income earned after December 31, 1999. Beginning this year seniors age 65 and older may work and earn unlimited income without losing any Social Security benefits.

Social Security Lock Box

The Social Security and Medicare Safe Deposit Box Act of 1999 Security Trust Fund stops the raid on Social Security. For 30 years, the Social Security surplus has been raided to fund other big government spending programs. This would prevent the funds from being used for other programs. This legislation has passed the House but Senate Democrats have opposed the measure SIX times.

Elimination of the Death Tax

Asks for repeal of taxes with respect to estate tax and gifts over a ten-year phaseout period. This punitive tax has forced the sale of thousands of family-owned businesses and farms in recent decades. This results in savings of $65 billion for family-owned businesses and farmers over the next ten years.

(continued on page 2)

Taxes as a Percentage of Median Family Income

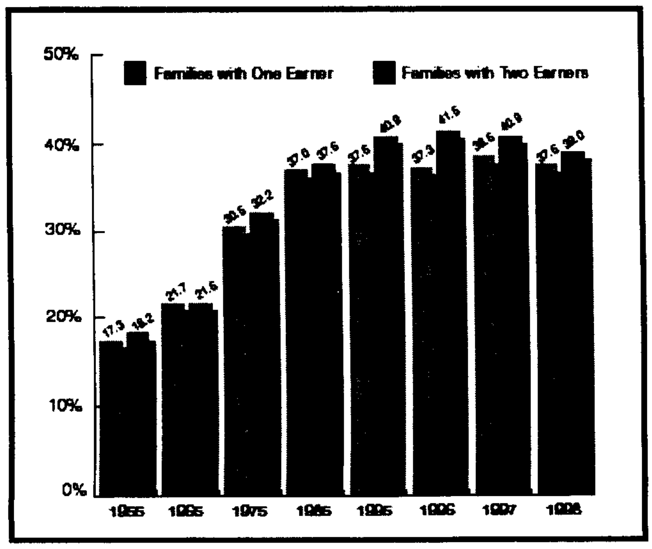
Federal, state and local taxes claimed 39.0 percent of a median two-income family's total income ($68,605), down from 40.9 percent in 1997 and down from the historical high of 41.5 percent in 1996. The median one-income family's tax burden was 37.6 percent of its 1998 income ($36,579), down from a high of 38.6 percent in 1997 (see column chart).

Against a backdrop of steadily rising tax burdens, the Taxpayer Relief Act of 1997 reduced federal individual income taxes on the median family so dramatically that federal income taxes as a percentage of total income were about the same in 1998 as they were in 1955. The almost two percent decline in the two-earner family's total tax burden between 1997 and 1998 can be attributed almost entirely to this legislation. It brought such substantial tax relief to the median family because its new tax credits, the Per-Child Tax Credit and the Hope and Lifetime Learning Education Credits, are especially valuable to the demographic group that the median family falls into.

Two factors are primarily responsible for the general trend of higher tax burdens over recent decades – the upward trend in state and local taxation and the increase in the federal payroll tax used to fund social insurance programs:

❖ State and local taxes combined took 8.8 percent of the two-earner family's income in 1975, but 23 years later that share had grown to 13.1 percent. For the one-earner family, state and local taxes make up an even larger share of the total tax burden and have been growing even faster. In 1975, state/local taxes took 9.4 percent of family income, but in 1998 they took 15.0 percent.

❖ Payroll taxes have also climbed sharply. Although the rate has not increased since 1990, the amount of income subject to the tax has increased so rapidly that the median family's growing wages have not been able to catch up to the cap. In 1998, the combined rate was 15.3 percent (employer and employee each paid 7.65 percent) on wages and salaries up to $68,400 for Social Security, Disability Insurance, and Medicare.



Article and graph courtesy of the Tax Foundation

Minimum Wage Increase

I supported the last two minimum wage increases, passed in 1989, 1996. This year I supported increasing the federal minimum wage by $1 to $6.15 an hour, to take effect by April 1, 2001. More than 10 million full-time workers paid the minimum wage now earn about $10,700 a year. Raising their wages to $6.15 an hour would increase their annual earnings by $2000, enough for a low-income family of four to buy groceries for seven months or pay rent for five months. Coupled with the minimum wage increase is a tax-cut for small businesses with new tax relief provisions designed to create new jobs and promote continued economic growth into the 21st Century.

Tax Reduction Proposals continued from page 1

Child Savings Account Tax

Tax breaks to families who want to promote lifetime savings by allowing people to establish child savings accounts within Roth IRAs and by allowing the savings to be used for education, first-time home purchases, and retirement, to expand the availability of Roth IRAs to all Americans and to protect their contributions from inflation and for other purposes. This would include tax-deferred pre-paid tuition plans, and extension of employer-provided educational assistance for undergraduate education.

Families including grandparents, could deposit up to $2,000 a year per child in after tax dollars into education savings accounts. The interest earned on the accounts would be tax-free, and the money could be used to pay for private school tuition and other educational expenses. Current law allows families to set aside up to $500 a year per child, but limits the use of the money to college costs. The new legislation allowing an expansion to $2,000 would include elementary and secondary school costs.

Captial Gains Tax Relief

Capital gains tax relief focuses on individuals who are investing to save for retirement, children's education or a better quality of life. The individual capital gains tax brackets will be cut from 20 percent to 18 percent and from 10 percent to eight percent. This will encourage Americans to save and invest to keep $35 billion more of their own hard-earned money. Capital gains will be adjusted for inflation so people pay taxes only on actual gains, not inflation.

Retirement Incentives

$15 billion in incentives and savings for future retirees, including pension modernization, catch-up provisions for older workers, more pension portability and an increase in the IRA contribution limit to $5,000 have been proposed.

CONGRESSMAN
HENRY HYDE

Reports to the Sixth District

Congress of the United States
House of Representatives
Washington, D.C. 20515

Official Business

Henry J. Hyde M.C.

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